

In facilitating capital formation, John Morrison has worked hard to bring forward innovative ideas for legislation to ease the regulatory burden on small business and facilitate economic growth in Montana. Below is a summary of two innovations forwarded by this office.

Capital Formation Facilitation

During the 2003 session, the Securities Department proposed legislation that would ease the regulatory burden on small Montana companies looking to raise capital. The bill passed and now allows Montana-based companies to sell securities to up to 35 people without having to register the securities with the Montana Securities Department. Montana-based companies can make 10 more offers than they were allowed under previous law.

- Montana companies still would have to comply with anti-fraud statutes and provide **full disclosure** to people when making offers.
- The bill **facilitates capital formation** in Montana because it reduces regulation.
- The bill **encourages economic development** by promoting capital formation.
- The bill reduces costs for Montana-based companies selling securities, such as attorney fees, accountant fees, regulatory fees and printing expenses.
- Montana-based companies would be allowed to raise an unlimited amount of capital under this exemption, but they would be limited to making 35 offers.
- Only Montana-based companies may take advantage of this exemption from securities registration.
- Salespeople cannot receive a commission, otherwise the company would not be eligible for this exemption.

Montana Venture Capital Act

The Auditor's office will again pursue Montana Venture Capital legislation (SB 465, Senator Tester) which had broad support in the last Legislature. The Montana Venture Capital Act would create a private, professionally run venture capital fund in which institutional investors could invest. It was modeled after proven, successful programs in other states.

"It is time to start thinking creatively about how to get Montana's economy moving forward," Morrison said. "This is a step in the right direction."

If you are interested in learning more about the new Montana exemption, or are interested in legislation that will be proposed in the next session, please contact our office.

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